

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4387-01
Bill No.: HB 1866
Subject: Taxation and Revenue - Property, Real and Income; Elderly
Type: Original
Date: February 19, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$87,926,361)	(\$87,892,402)	(\$87,897,814)
Total Estimated Net Effect on <u>All</u> State Funds	(\$87,926,361)	(\$87,892,402)	(\$87,897,814)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this legislation increases the maximum upper limit for senior citizens property tax relief from \$25,000 to \$30,000 and the minimum base from \$13,000 to \$18,000, for tax years beginning on or after January 1, 2002. It also changed the percentage used in the credit calculation from 1/16 percent to 1/32 percent.

Taxation will have to modify the PTC tables on the MINITS and PC systems. DOR estimated that 692 hours of programming at a cost of \$23,085 will be needed. State Data Center costs would be \$9,012. Personal Tax will need One Tax Season Temporary for every 10,000 additional claims filed, One Tax Processing Tech I for every 20,000 additional errors generated by this legislation (PTC has a 25% error rate) and One Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this new legislation. This legislation will create additional walk-ins and phone calls for the new qualifiers in the tax assistance areas. One Tax Collection Tech I will be needed for every 2,149 walk-ins to help complete their claims and One Tax Collection Tech I for every 15,000 additional calls received on the income tax hotline (751-3505 and 751-7200).

Oversight assumes the DOR will need 12 additional Tax Season Temporaries to handle the increase in claims filed. Oversight has included in this fiscal estimate the administrative costs for programming and implementation costs of \$32,097.

In a response to similar legislation, **State Tax Commission (TAX)** officials stated there is no way of telling how large the fiscal impact would be for state or local political subdivisions because the TAX does not have any figures on income, so TAX does not know how many senior citizens would qualify for the increased circuit breaker.

Officials from the **Department of Health and Senior Services (DOH)** assume the proposed legislation raises the maximum upper limit to \$30,000 for the circuit breaker relief for the elderly for each year after December 31, 2001. Although the proposed legislation would result in no fiscal impact to the DOH, it is an important program to all seniors, not just the clients DOH serves but to all seniors throughout the state who call the DOH information and referral line asking for information regarding this tax relief program.

DOH assumes that the Department of Revenue will determine the costs associated with the raise in the maximum upper limit of \$30,000 to be eligible for this tax relief. The proposed legislation would result in no additional fiscal impact to the DOH.

ASSUMPTION (continued)

Officials from the **University of Missouri Research Center (UMRC)** state this legislation raises the maximum upper limit to \$30,000 for the circuit breaker relief for the elderly and raises the lower limit to \$18,000. UMRC officials assume this legislation, as written, will decrease revenue by \$87.7 million annually.

This legislation will decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Loss - General Revenue Fund</u>			
Increase in Property Tax Credit	(\$87,676,344)	(\$87,676,344)	(\$87,676,344)
<u>Cost - Dept. of Revenue</u>			
Personal Service (12 Temp)	(\$93,420)	(\$95,756)	(\$98,149)
Personal Service (4 FTE)	(\$70,640)	(\$86,888)	(\$89,060)
Fringe Benefits	(\$25,437)	(\$31,288)	(\$32,071)
Expense and Equipment	(\$28,423)	(\$2,126)	(\$2,190)
Programming changes	(\$32,097)	\$0	\$0
Total Costs - DOR	<u>(\$250,017)</u>	<u>(\$216,058)</u>	<u>(\$221,470)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$87,926,361)</u>	<u>(\$87,892,402)</u>	<u>(\$87,897,814)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

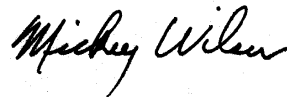
DESCRIPTION

This bill increases the maximum income level for qualifying for the senior citizens/disabled persons property tax credit, commonly known as "circuit breaker," from \$25,000 to \$30,000. This increase will be effective for tax years 2002 and thereafter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
State Tax Commission
Department of Health and Senior Services
University of Missouri
Research Center



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Acting Director
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